HUMAN EVENTS

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Socialism and Civil Rights: Amid the tumult of roll calls and forensics in the past week, one thought emerged, struggled and came clear in the minds of many members of Congress: the price of "civil rights" is socialism.

This thesis (which of course has nothing to do with real "civil rights" — as everyone here knows — but with the politically punitive legislation now before Congress) was hammered out on the floor of the Senate and the floor of the House in votes which sent the news tickers reeling, as follows:

(1) Nixon, presiding in the chair, and GOP Leader Knowland collaborated in a "preliminary to a preliminary" parliamentary move on the "civil rights" bill — which brought about a revealing vote of the whole Senate. Northern New Deal Democrats joined with conservative Republicans to outvote Southern Democrats.

Why did Knowland take this step? Californians say that the growing intensity of his fight with Governor Knight for the Governorship, for every possible vote — that's the answer. The same phenomenon appeared in the case of Senator Jenner (R.-Ind.) — up for re-election next year — who voted for the "civil rights" maneuver with Knowland and other GOP conservatives.

But the bitter payoff of the Southern defeat was lost on no one in the galleries or on the floor: an ominous rift had appeared in the traditional conservative coalition of Southern Democrats and Northern conservative Republicans. As the nettled Southerners crowded into their cloakroom, there were muffled threats against their friends on the Republican side.

(2) The threats were not empty ones. Within 24 hours, the Senate passed a bill authorizing a fine little piece of Northwest socialism, the Federal Hells Canyon "high" dam, and — by means of a coalition of Southern conservatives and Northern Democratic "liberals," passed it over almost solid GOP opposition. The vote recalled the days of the Middle Thirties, when the same combination of Democrats easily crushed GOP opposition and put over Roosevelt's experiments in socialism. Those were the days before Taft and Byrd created the unofficial bipartisan coalition of conservatives which, in the past 15 years, blocked so many pieces of socialistic legislation and succeeded in putting over the Taft-Hartley labor reform bill.

Did the Hells Canyon vote mean the Byrd-Taft coalition was dissolved? No — at least not yet. As one observer put it: "It was a shot fired across the bow of the GOP in the Senate. It meant that the Republicans have a chance to think this one over."

It was that. It was more. As one Southerner put it: "It showed that the price of 'civil rights' legislation is socialism. If that's what the White House and the right-wing Republicans want — let 'em have it."

These were hot words, and of course some of the heat is disappearing. The Hells Canyon bill is now in committee on the House side — where it sits as a threat; for the Southerners in the House talk angrily of following the example of their colleagues in the Senate.

But the rift inspires deep concern among many Republicans. They cannot forget that the old coalition has for many years been a shield of conservatism. Is it worth courting Negro votes — they ask — to surrender to Federal power, Federal housing, Federal everything?

Gold Reserves: Capital financial experts are buzzing with reports that a sort of news blackout has descended on some very sensational testimony brought out by Senator Byrd in his questioning of Secretary of the Treasury Humphrey, June 19. Byrd queried Humphrey on the amount of gold in Fort Knox and other American depositories. The official figure is $22 billion.

But Byrd got from Humphrey the admission that $13 billion of the $22 billion actually belongs to foreign countries or foreign citizens. This represents 58 per cent of our gold reserves.

One Washington paper — the Scripps-Howard *Daily News* of June 21 — reported some of the colloquy and quoted a Treasury spokesman who claimed that actually only 41 per cent of our gold is owned abroad. One other Washington paper, it is known, suppressed a column reporting the facts brought out by Byrd at the inquiry. Neither *The New York Times* nor the *Wall Street Journal* reported the important story.

Financial observers are a bit excited, because if the Byrd figure of 58 per cent is correct, the national debt should be listed as $288 billion, instead of the official

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statutory debt ceiling of $275 billion. Is this true? asks Byrd. The Treasury so far has not given an answer.

Another question for which Byrd wanted an answer (but so far has received none): how about revealing whether foreign countries, now receiving grants in aid from the U.S., own some of the gold here on deposit? If so, has our Government insisted that such grants in aid be charged against the deposits?

Members of the Senate Finance Committee — of which Senator Byrd is Chairman — are stirred by the admissions which Byrd drew from Humphrey; not the least because there seems to exist a press "play down" of the whole matter. It is known that Joseph Campbell, Comptroller General of the United States, is going to examine the business of our gold reserves and make recommendations accordingly to Congress.

Knowland: The Gallup Poll reports this week an increase in public support for Senator Knowland as the GOP Presidential nominee in 1960. At the same time, Knowland's stand on handling the "civil rights" bill has reportedly alienated some of his hard-core conservative support. In any case, much controversy swirls over the head of the Californian. In the Senate gallery, observers venture three predictions:

(1) Knowland will oppose cloture (limitation of debate) on the "civil rights" bill when it comes up after the first of the month. Indeed, knowledge that he will do so may kill all chances of the "liberals" stopping the expected filibuster by the Southerners. And that would end "civil rights" legislation for this year.

(2) Before September, Knowland will publicly and officially declare himself a candidate in the race for the California governorship — the first step on the way to the GOP Presidential nomination in 1960. So far, Knowland has not acknowledged that he will become a gubernatorial candidate, although all his friends say he will.

(3) Before May 1, 1958, Knowland will resign his position as Senate Republican leader; this move will give him greater independence of Administration influence.

Danger Signal — Economy: A red light is blinking over the drive to cut the Budget this week. In the past 48 hours, a Senate subcommittee moved to restore about half of the $2.5 billion cut from Defense funds by the House. This is only a preliminary move and may not be sustained — but it suggests that the Senate may be backtracking on the economy which the people evidently want. So far this year, the Senate has reduced the totals of money bills sent it by the House. If that body now restores the House Defense cut or part of it, the pattern followed so far this year will be reversed — a bad sign.

Restoration of House cuts is uncalled for — that is the way old hands on the Hill view it. Senator Byrd this week demanded a four per cent cut in the military budget and said: "There isn't an agency in this Government that you couldn't cut four per cent, five per cent or ten per cent" and get more efficient use of the taxpayer's dollar. It "just isn't correct," reiterated Byrd, that Defense spending cannot be pared.

But, observers on the Hill warn, the three armed services are "turning the heat on" now, fighting desperately for restoration of cuts, lobbying full force, pulling wires, promising members of Congress this or that (such as military installations in their districts) — in a wasteful expenditure of taxpayers' funds. Only if the taxpayers at home come to life again and pelt their legislators with demands to "cut and cut and cut" will the economy wave go on to bigger and better reductions in the Budget. That is the solemn warning uttered by economy advocates in the Capital.

Young GOP: Delegates to the Tenth National Convention of America's Young Republicans, meeting in the Capital's Statler Hotel, dealt a jolting blow to the "modern" wing of the GOP last week. In a spontaneous display of "grass roots" strength, the Young Republicans adopted a platform bristling with conservative sentiment. Since "modern Republicans" have repeatedly stated their reliance on "youth," this performance by the Young GOP should go far to hold the party to its traditional principles — so runs comment on Capitol Hill.

Typical of feeling among many GOP regulars was the comment of Representative Lawrence Smith of Wisconsin: "The convention must have been a shock to some of the so-called modern Republicans. Apparently their philosophy hasn't got down to the grass roots, which these young people represent."

In a series of scuffles on the convention floor, "modern Republican" forces emerged with a lone victory: an endorsement of the President's "civil rights" program. In all other struggles, conservative forces were triumphant.

As finally adopted, the Young GOP platform contained planks:

- stating that "we are unalterably opposed to Federal financial aid for general public education and school construction";
- opposing "all military assistance to Communist nations";
- opposing "UN membership for Communist China";
- recommending re-examination of "the various Status of Forces agreements with the purpose of insuring that the American flag and all it stands for will protect each member of our armed forces";
- urging "that the Taft-Hartley law be amended to prohibit compulsory union membership as a condition of employment."

Observers at the Convention report that there was no right-wing "machine" to push these provisions;

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rather that the overwhelming strength of conservative sentiment welled up spontaneously and made itself known only after the various resolutions were brought out on the floor.

Except for a few delegations from "big-city" states, conservative forces were evident from every part of the country. Passage of the "right-to-work" plank was almost unanimous, while strong planks opposing so-called "cultural exchanges" with Communist nations, blasting recent Supreme Court decisions on internal subversion, and scoring present tax rates passed with practically no opposition.

Other important items in the conservative "sweep" (which were little noted by the press) were moves reflecting strong backing for Senate Republican Leader William F. Knowland. In addition to adopting its plank opposing aid to Communist nations (a position repeatedly taken by Knowland), the Young GOP adopted a resolution which explicitly commended the Senator for his "vigorous affirmation of the traditional foreign and domestic policies of the Republican party." Also noteworthy was a platform plank endorsing Knowland's criticism of the United Nations — voiced by him at Georgetown University last February.

Internal Security: In the wake of the Supreme Court's "Red Monday" decisions (see HUMAN EVENTS for June 22) some encouraging developments in the field of internal security appeared this week. These were the recommendations of the bipartisan Commission on Government Security, established in August, 1955, to review security and loyalty procedures.

Capital anti-Communists feel that, if the Commission's recommendations are adopted, great forward strides towards combatting domestic communism can be effected.

The Commission, headed by former American Bar Association President Loyd Wright, made the following recommendations:

- Establishment of a Central Security Office to coordinate the handling of all Federal loyalty-security cases;
- Strict separation of "loyalty" proceedings from "security" cases;
- Establishment, under prescribed limitations, of membership in organizations on the "Attorney General's list" and refusal to testify under the Fifth Amendment as criteria to be used in loyalty determinations;
- Authorization of "wire-tapping" evidence, with the special approval of the Attorney General, in cases involving "criminal violations" of the security laws;
- Criminal prosecution of Americans travelling in countries where their passports are invalid.

Throughout its 800-page report, the Commission accepts the premise which anti-Communists have worked for years to establish: that Government employment is a privilege, not a right.

Curbing the Court: Steps to curtail the "legislative rampage" of the Supreme Court — as foreshadowed in HUMAN EVENTS for June 22 — are now under way on Capitol Hill.

Senator Eastland, Chairman of the Senate Judiciary Committee and its Subcommittee on Internal Security, has proposed an amendment to the Constitution which would impose definite limitations on the far-reaching power of the Court.

Eastland's proposal, S.J. Res. 114, would require that each Supreme Court Justice seek reconfirmation from the Senate at four year intervals during his term on the bench. Since Supreme Court Justices are subject to Senate confirmation initially, it is believed that this change, while serving to hold the Court to its proper judicial function, would represent no radical departure from the constitutional tripartite division of powers.

There is serious talk, among legislators in the House, of impeachment proceedings against members of the Court. As plans to draw up an impeachment resolution progress, Representative Lawrence Smith (R.-Wis.) has introduced a House measure which would impose a ten-year limit on the terms served by members of the High Court.

Meanwhile, legal opinion hostile to the decisions of the Court is mounting. In a speech at the 51st Annual Conference of the National Association of Attorneys General, held in Sun Valley, Idaho, last week, Association President Louis C. Wyman assailed the Court's recent batch of anti-anti-Communist rulings; the Court, said Wyman, has "set the United States back 25 years in its attempt to make certain that those loyal to a foreign power cannot create another Trojan horse here."

As informed opinion such as Wyman's piles up in opposition to the Court, it is felt, the drive to limit "judicial legislation" may well pick up the momentum necessary for success.

School Aid: Prospects for defeat of the "compromise" Federal aid to schools bill improved measurably during the past week. Reports from the Hill indicate that some of the bill's "liberal" GOP backers now hope that it does not come to a vote — because they fear a conservative victory.

The "liberals" had hoped that strong backing from President Eisenhower would overcome the massive resistance to Federal aid. But the President's June 25 letter to Representative Peter Frelinghuysen (R.-N.J.) was considered too tepid by the bill's proponents to be serviceable.

Particularly influential in dashing "liberal" hopes, it is said, have been strong showings of anti-Federal aid sentiment by the bulk of the GOP. Special mention is given to the series of regional conferences of the party and to the recent convention of the Young Republicans, which adopted a platform plank "unalterably opposed" to Federal school aid (see "Young GOP," above).

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Fallout: After weeks of contradictory statements from a wide variety of "scientists," the controversy over radioactive fallout received much-needed clarification last week from two first-rank authorities on the subject of atomic energy — E. O. Lawrence and Edward Teller.

Lawrence and Teller are acknowledged as nuclear physicists of great stature (ranked well above the much-publicized J. Robert Oppenheimer — both as scientists and as contributors to the development of nuclear energy). Lawrence, a pioneer in nuclear physics, is often referred to as the "father of the A-Bomb." Teller's contributions include key developments in producing the H-Bomb and the atomic submarine.

In an AEC conference last week, Lawrence and Teller told newsmen that fallout dangers from atomic tests to date are negligible; they further announced that the United States has now developed a "clean" (fallout-free) H-Bomb — a development which "liberals" have characterized as impossible.

The words of such eminent physicists as these, it is observed, weigh in heavily against the alarmist pronouncements — claiming "scientific" authority — that have bludgeoned America in the direction of atomic disarmament.

Grants: The Conference of (State) Governors, meeting at Williamsburg, Va., promptly endorsed President Eisenhower's proposal for a joint state-Federal commission to study the functions and relationships of revenue sources for state and Federal governments. (Observers in Williamsburg report that most gubernatorial tongues were in cheek, believing the scheme is destined to be just another futile gesture.)

By fortuitous circumstance, the Joint Congressional Committee on Reduction of Nonessential Federal Expenditures, known popularly as the Economy Committee and headed by Senator Byrd, already had distributed to newsmen, for release this weekend, a voluminous report bearing directly on the subject.

Entitled "Federal Grants-in-Aid to States, and Payments to Individuals," the report traced the steady quarter-century growth of the "liberal" theory under which the Federal Government collects the taxes, then turns part of them back to states in so-called "grant" programs — minus substantial Federal administrative costs.

It shows in detail amounts involved since fiscal 1934, the first year of FDR's "New Deal." In the eight prewar years, it shows such payments totalled $24.7 billion, or an average of slightly over $3 billion a year. During the five war-emergency years, the average dropped to $2 billion. In the ten postwar years covered by the report, the total soared to $45.4 billion, for an average of $4.5 billion a year.

In fiscal 1956, grants to state and local governments amounted to $3.5 billion, while payments to individuals were $1.7 billion. No later figures are in the report; but the President's Budget for the coming fiscal year allots $5.5 billion for grants (including the highway program and the President's proposed aid to education) and nearly $2 billion for payments to individuals.

Harvard Economist: Sumner Slichter, Harvard's "inflationary don," is the leading exponent of the theory that the exhilarating effect of a two per cent annual rise in prices assures full employment and continuous prosperity. His critics sharply retort that two per cent compounded annually means a 50 per cent depreciation of the dollar every 35 years.

Current developments are fuelling new dissent from the Slichter "orthodoxy": the price rise of the last four months is at the annual rate of four per cent — which projects to a 50 per cent dollar depreciation in 18 years.

The question now asked in Washington is: How soon will the creeping inflation reach the galloping stage?

Tito Myth: In the wake of the Administration's decision to renew its program of grants to Communist Yugoslavia, HUMAN EVENTS learns, from sources recently in Vienna, that the citizens of Tito's "liberalized" regime are fleeing to Austria in sizable numbers.

This report is confirmed by a dispatch from the National Catholic News Service, June 15. The dispatch states that refugees from Yugoslavia cross the Austrian border at the rate of 250 a week, because they do not "like the general conditions."

Further debunking of the Tito myth is now available in a new book by Slobodan M. Draskovich, entitled, *Tito: Moscow's Trojan Horse* (Henry Regnery Co., 375 pp. $5). This is the most thorough and up-to-date analysis of "Titoism" in print. Author Draskovich demonstrates conclusively that Tito, far from being an "enemy" of the Russian Communists, is their ally.

Campaign for 48 States: R. B. Snowden, Chairman of the Campaign for the 48 States, reports that he is only $16,000 away from his goal of $75,000 for this year's budget. He is trying strenuously to get this in by the first of July.

Snowden reports that there are 32 state legislatures which have passed resolutions requesting Congress to submit some kind of tax limitation amendment; he plans to set up a lobby in Washington in 1958 to coordinate the efforts of various organizations in this field of endeavor and hopes that a submission of a tax limitation amendment will be possible next year, so that some states would be in a position to ratify it in 1959.

The Campaign for the 48 States was set up in 1955 to save income taxes, to limit the power of Congress to spend, to preserve the free enterprise system from socialism and to decentralize the Federal Government. Inquiries may be addressed to P.O. Box 1112, Memphis 1, Tenn.

Letter from RICHARD M. WEAVER, Associate Professor of English, University of Chicago: "HUMAN EVENTS provides a concise, interesting, and above all American bulletin of news on the national and international fronts. Its political analyses are informed and shrewd, and its articles present the other side of the story so regularly neglected or suppressed by most of our newspapers and journals. I recommend it as especially salutary reading for college students."

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Article Section *Printed in Two Sections*

FALLOUT OF THE SAVINGS BONDS

By FRANK CHODOROV

CONSIDER THE CASE of the incoming Secretary of the Treasury, Robert B. Anderson. He faces a situation that is something like that of a man who is confronted with foreclosure on his mortgage note, hasn't a cent in the bank, cannot get a renewal except at a ruinous rate, while his wife continues to pile up charge accounts. The poor fellow has his work cut out for him.

Will he make it? Probably. The Secretary, unlike the plagued private citizen, has legal, if not exactly moral, means for extricating himself from the fiscal mess in which he finds himself. Before we look into these means, let us consider the character and cause of the mess.

It is widely held that the job of the Secretary of the Treasury is to collect enough in taxes to meet Government expenses. The fact is that this is more or less a routine chore, calling for little ingenuity or skill. His principal preoccupation, particularly at this time, is with raising money to pay off the Government's creditors, who are clamoring for their money.

Since there is no money in the public till, he is compelled to borrow from banks and citizens; for one reason or another, these possible lenders are demanding of him higher rates of interest than the Government has been accustomed to pay. It has come to pass that the cost of servicing the public debt is threatening to deplete considerably the amount of tax money available to the profligate bureaucracy, and that is a horrendous prospect to contemplate. What a job!

THE PRESENT DIFFICULTIES of the Treasury Department stem from many causes; but the cause that stands out as most immediate and most telling is the trick by clever Government economists to finance World War II — the "savings" bond. The Department — or, rather, the Nation — is now suffering from the fallout of these bonds.*

These bonds — the E, F and G series — were supposed to have a built-in anti-inflation mechanism. The citizen was told that if he bought these bonds he would not only help win the war but would also help fight inflation. What patriot could resist that argument — particularly as it was coupled with the prospect of profit?

The anti-inflation device, written into the indenture, was the nonnegotiability of these bonds; the buyer had to hold them until maturity if he wanted to cash in on the interest. A negotiable bond can be monetized almost immediately. The holder can borrow against it at the bank, which raises the money by putting up the bond as collateral with the Federal Reserve Bank, which gets the money from the United States Treasury. That's a bit oversimplified, but it is true. What really happens is that the bank counts the bond as a legal reserve and credits the Government's account. It now has money to lend out, on security. The security is discounted again with the FRB, which means that the bank gets more

* This consequence was foretold by Mr. Chodorov in a HUMAN EVENTS article entitled "Bonds Bursting in Air," published May 24, 1950.

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money to lend out, in an amount equal to the note less the legal reserve requirement. This multiple expansion can result in the issuance of bank credit amounting to about six times the face value of the bond. That's inflation.

This is what the "savings" bond was supposed to prevent. The holder had to keep it in his vault or under his mattress until maturity, or he could sell it back to the Government and lose the interest. Now, anyone with a grain of sense could have seen that this was merely a way of deferring the day of reckoning. But, nobody was supposed to have a grain of sense during the war years, for fear of being called a "slacker." Were the devisers of these bonds dishonest? Maybe not; maybe they honestly believed the bondholders would reinvest their money at maturity in new "savings" bonds, *ad infinitum;* or maybe they believed the Government would set aside some tax money with which to pay off these bonds.

When the first E, F and G bonds began to fall due, in 1951, some $57 billion of them were outstanding. Almost from the first day of maturity it began to be obvious that the patriotism of the holders had somehow evaporated; they marched up to the window in droves asking for their money. Some, of course, bought new "savings" bonds; but the redemptions exceeded the purchases, and this excess has continued at an increasing rate ever since.

Since the Government had not set up an amortization fund, the Treasury has had to borrow money to meet the demands of the holders of "savings" bonds — from banks. That meant the issuance of negotiable bonds, the kind that can be monetized at will, the kind that cause inflation. To complicate matters, the Government — New Deal, Fair Deal or Modern Republican — saw fit to spend more money than it received in taxes year after year, and the deficits called for the issuance of more negotiable paper. Thus the national debt, which amounted to $253 billion in 1949, rose to $273 billion in 1956.

It is this very fact that caused the public to sour on "savings" bonds. As inflation increased, the holders of these bonds began to suspect that the Government had made "suckers" of them. The dollars they got back at maturity were worth far less than the dollars they had loaned the Government. In 1940, $1000 would buy a whole automobile; in 1950 it would fetch little more than half an automobile. Or, if the citizen had invested his money in some common stock, rather than the "savings" bonds, he would have got back in 1950 an accumulation of dollars that would have offset the depreciation in value, while the yield in dividends would have been more than the interest he received from the Government. Why buy more of these "savings" bonds?

THE FALLOUT of the "savings" bonds began to be quite severe in the Truman Administration and the Treasury Department began looking for a cure. The cure was to "sweeten up" the "savings" bonds so as to slacken up the rate of redemptions. The original E and F bonds paid 2.90 per cent at maturity, the extended issues carry 4.08 per cent. Other issues bear other inducements, such as payment of interest before maturity. To some extent this lagniappe narrowed the margin between redemptions and sales, but the figures show that parity has not yet been reached, and that the Government is still under necessity of issuing negotiable inflationary bonds to meet its obligations. But, here a new problem presents itself to the Secretary of the Treasury: the need of paying higher interest rates on all Treasury bonds.

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Parenthetically, this reminds us of those brilliant economists — they are still teaching in our colleges — who told President Roosevelt that he need never worry about interest rates, because he could fix them at any level he decided upon, and the boast of his Secretary of the Treasury, Henry Morgenthau, that money costs the Government next to nothing. The fact is that interest rates were low in those days, not because of the Government's fiat, but because there was little demand for capital. Business was in the doldrums and industrialists were not competing with the Government in the money market.

Now, the oddity of the present situation is that the Government is causing interest rates to rise not only by its demand for money but also by the uses to which it puts the money it borrows. When the Government allots a chunk of foreign aid to Yugoslavia it does not send cash; it sends goods made in this country. (The little cash it does spend in that country, by the way of "offshore" purchases and the salaries of diplomatic and military personnel, also comes back here to demand goods.) The manufacture of these products calls for raw materials, plant equipment, wages, all of which require money, and the Government contractor finds himself going to the bank. So that, in effect the Government is setting up competition with itself in the money market. When more people compete for a scarce commodity, the price of it goes up; political power, the professors notwithstanding, cannot do a thing about it.

THE CLIMBING interest rate presents a formidable problem to the new Secretary of the Treasury. In 1949, the average yield of all Government bonds was 2⅜ per cent; in 1956, the Government had to pay 3½ per cent to lenders. In 1949, the total interest on the public debt was a little over $5 billion; last year it came to $2 billion more, partly because the debt was larger, partly because interest rates had gone up.

Another headache for the Secretary is the unwillingness of the banks — whose first obligation is to their depositors — to lend money to the Government on long terms. When the dollar is more or less stable, the long term bond is desirable, because the purchaser, interested in steady income, is relieved of the necessity of reinvesting his capital from time to time. In an inflationary period, however, the long term bond is a risky investment; what will the dollar be worth at maturity time? Realizing that Government policy is tied in with inflation, the banks (or anybody) find it difficult to assess the worth of a dollar 20 years hence. Knowing that it will be worth less, they demand something in the way of risk insurance. That insurance item is in the interest rate.

Even a relatively short-term loan to the Government is clouded with the inflationary risk. As an illustration: a short while ago the Department offered a 57-month note for $4.2 billion for refunding purposes, at 3⅝ per cent. Only $3 billion of this note was taken up; the Treasury had to shell out $1.2 billion in cash to the holders of maturing obligations.

Taking it all in all, it is a messy fiscal situation that confronts the new Secretary. Prospects are that it will worsen, things being as they are. If the bureaucracy continues its wild spending spree, as indicated by the present Budget, the national debt will rise, interest rates will rise in proportion, and the cost of servicing the national debt can reach astronomical heights. What can prevent interest rates from going up to six, eight or even ten per cent? Or the annual cost of servicing the debt from going up to ten or more billions? That is, what can prevent it if the Government

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keeps on spending more than it gets in and makes up the deficits with borrowing?

IT MAY BE some consolation to the incoming Secretary that the concern for which he is fiscal agent cannot go bankrupt. Only if a nation defaults on its debt to a foreign nation, one with a bigger army and navy, can it be put under the hammer. When the creditors are the Government's own subjects, no such consequence is possible.

That being so, the Secretary has little to worry about. If he needs money, to meet maturing obligations or to finance deficits, he will go to the banks, inquire as to the going rate of interest and pay it. He will muddle along. But it is entirely possible that some future Secretary will find even muddling along an impossible task. The national debt may get so big that lenders will be hard to come by, regardless of interest rates; that has happened in other countries. In that event, the Government, which has an absolute monopoly of the money maufacturing business, can start the printing presses turning out legal tender. Who can refuse to take it?

Something akin to that procedure is now in contemplation. There is a loud demand in Congress for "easy" money. The formula for achieving that desideratum is to compel the Federal Reserve Bank to lower its rate of discount. If that is done, the banks will be able to borrow more money on their securities, including Government bonds, from the FRB. Where will the FRB get the money? From the United States Treasury. The Treasury will be quite within the law, because it will have bonds to show for the money it has issued. Regardless of this legal hocus pocus, the fact remains that "easy" money is printing press money, or inflation. It is entirely posible that the "easy" money advocates will prevail sometime in the future, and not too distant future.

Well, what can you and I do to escape this inflationary hurricane, this wiping out of our savings, this burden on the cost of living? For one thing, we can "live it up," or spend money as fast as we get it. But that has its disadvantages, so far as our own future or that of our offspring is concerned. The next best thing is to put our money in common stocks, those that promise to keep pace with inflation; and that means to buy stocks of concerns which make things for the Government; the dividends and the appreciation of the stock values will in a way make us partners in Government crime.

On the other hand, if we are thinking of the future of our country, we might concern ourselves with abolishing the Government crime. We might get after our Congressmen and implore them to stop this insane extravaganza, which can be done not by merely cutting a Budget, but by eliminating the Budget-makers. That is, by forthright elimination of entire departments of Government; say, the Agricultural Department, the Department of Health, Welfare and Education, the TVA, the USIA, the SBA — well, take your pick from the hundreds of bureaus. So long as these outfits remain in being, spending will continue and so will inflation.

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